

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1440-03
Bill No.: SCS for SB 372
Subject: Revenue Dept.; Administrative Law; Taxation & Revenue - General; Business and Commerce
Type: Original
Date: February 26, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Various State Funds	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>All</u> State Funds	(UNKNOWN)	(UNKNOWN)	(UNKNOWN)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government	(UNKNOWN)	(UNKNOWN)	(UNKNOWN)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Office of the State Courts Administrator (CTS)** and the **Office of Administration, Administrative Hearing Commission (AHC)** assume this bill has no fiscal impact to their agencies.

In a similar proposal, officials of the **Office of the Secretary of State (SOS)** assumed this bill creates the Prospective Tax Application Act. DOR may promulgate rules to implement this bill. These rules will be published in both the *Missouri Register* and the *Code of State Regulations*. Based on experience with other divisions, the rules, regulations and forms issued by DOR could require as many as 10 pages in the *Code of State Regulations*. For any given rule, roughly half again as many pages are published in the *Missouri Register* in the Code because cost statements, fiscal notes and the like are not repeated in the Code. These costs are estimated. The estimated cost of a page in the *Missouri Register* is \$23. The estimated cost of a page in the *Code of State Regulations* is \$27. The actual cost could be more or less than the numbers given. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules filed, amended, rescinded or withdrawn.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriations process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

In a similar proposal, officials of the **Department of Revenue (DOR)** stated this legislation creates the "Prospective Tax Application Act", which allows abatement and prospective application of taxes in certain situations.

The Division of Taxation, Business Tax Bureau will need three Tax Processing Technicians to answer correspondence relating to the new notice and aging process. Four Field Auditors and two Attorneys will be needed by the Department to review audit cases and present/testify at hearings. All equipment and expense relating to these FTE will also be requested.

The **Office of the Attorney General (AGO)** did not respond to this fiscal note request.

Oversight assumes, for purposes of this fiscal note, this proposal would decrease compliance in the areas of corporate income tax and sales/use tax collections. This amount is unknown, therefore Oversight will reflect the revenue impact of this proposal as a negative unknown to various state and local funds. In addition, Oversight assumes DOR can utilize existing personnel to handle the abatements, correspondence, audit reviews, and to present/testify at hearings.

This legislation could decrease total state revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
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VARIOUS STATE FUNDS

<u>Loss -</u> Decrease in tax compliance	(Unknown)	(Unknown)	(Unknown)
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TOTAL ESTIMATED NET EFFECT ON VARIOUS STATE FUNDS	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
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VARIOUS LOCAL FUNDS	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>
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FISCAL IMPACT - Small Business

Small businesses would expect to be fiscally impacted only to the extent that they receive abatement on prior taxes due and must file and pay sales or corporate income tax in the future.

DESCRIPTION

This act authorizes the Department of Revenue (DOR) and the Administrative Hearing Commission (AHC) to abate all or part of the tax liability of a taxpayer in certain situations, including those situations in which:

1. The taxpayer fails to collect, account for or pay a tax which others in the same industry or occupation also failed to pay, perhaps due to miscommunication between DOR and a specific industry or profession about the taxability of a certain event or transaction;
2. The taxpayer does not have sufficient ability to pay the entire amount of the tax due; or
3. Collection of the tax would undermine compliance with the tax laws.

The act directs that in situations where DOR or the AHC grant this type of relief to a taxpayer, the application of the tax at issue shall be prospective for that taxpayer, such that the taxability of the event or transaction begins after the DOR or AHC decision on the issue. In order to qualify for whole or partial abatement, a taxpayer must agree to several conditions set forth in the act, such as waiving his or her right to appeal the decision and paying his or her own attorney fees and expenses.

DESCRIPTION (continued)

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

State Courts Administrator
Office of Administration
Administrative Hearing Commission
Secretary of State
Department of Revenue

NOT RESPONDING: Office of the Attorney General



Jeanne Jarrett, CPA
Director

February 26, 2001